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AUTHOR McFarlane, Carolyn
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ABSTRACT

This teacher's guide is the core module in a set of 36 modules and specifically accompanies CE 031 030. It is the first in the series Getting Down to Business. The purpose of module 1 is to provide an introduction to the other 35 business-specific modules in the program and be a supplementary reference for teachers. Following the overview are general notes on use of the module. Suggested steps for module use contain suggestions introducing the module, a brief discussion of the 15 units, responses to learning activities, suggestions for summarizing the module, and responses to the quiz. The units are Being a Small Business Owner, Planning a Small Business, Setting Up a Small Business, Choosing a Location, Getting Money to Start, Being in Charge, Organizing the Work, Buying and Keeping Track of Supplies, Setting Prices, Advertising and Selling, Keeping Financial Records (Revenues), Keeping Financial Records (Expenses), Making Sure You Have Enough Cash, and Keeping Your Business Successful. Suggested readings for the teacher and a list of goals and objectives complete the module. (CT)

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Entrepreneurship Training Components

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GETTING DOWN TO BUSINESS:

What's It All About?

Module 1

Teacher Guide

CE031031

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GETTING DOWN TO BUSINESS:

What's It All About?

Carolyn McFarlane

May 1981

Developed at the American Institutes for Research
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OVERVIEW

The purpose of these Getting Down to Business modules is to provide high school students in vocational classes with an introduction to the career option of small business ownership and to the management skills necessary for successful operation of a small business. Developed under contract to the Office of Vocational and Adult Education, U.S. Department of Education, the materials are designed to acquaint a variety of vocational students with entrepreneurship opportunities and to help reduce the high failure rate of small businesses.

As the students become familiar with the rewards and demands of small business ownership, they will be able to make more informed decisions regarding their own interest in this career possibility. It is hoped that, as a result of using these materials, some students will enter small business ownership more prepared for its challenges. Others will decide that entrepreneurship is not well suited to their abilities and interests, and they will pursue other career paths. Both decisions are valid. The materials will encourage students to choose what is best for them.

These Getting Down to Business modules are designed to be inserted into ongoing high school vocational programs in the seven vocational disciplines--Agriculture, Distributive Education, Occupational Home Economics, Business and Office, Trades and Industry, Technical, and Health. They will serve as a brief supplement to the technical instruction of vocational courses, which prepare students well for being competent employees but which generally do not equip them with skills related to small business ownership. The modules are self-contained and require a minimum of outside training and preparation on the part of instructors. Needed outside resources include only those types of materials available to all students, such as telephone directories, newspapers, and city maps. No special texts or reference materials are required. For further optional reading by instructors, additional references are listed at the end of the Teacher Guide. An annotated Resource Guide describing especially valuable entrepreneurship-related materials is also available.

Module 1: Getting Down to Business: What It's All About? is the core module in this set of 36 modules. It may be used as an introduction to the other 35 business-specific modules in the program or as a supplementary reference for teachers. The module is aimed at giving students a vision of what small business ownership is and an introduction to essential entrepreneurial skills. Examples of businesses related to all seven vocational disciplines are provided, and a general discussion of management principles relevant to all small businesses is presented.

Once students have completed this module, they will have a general understanding of small business ownership. If desired, they may then select, from a list of 35 modules concerning specific businesses, a module related to the particular vocational discipline that interests them most. These 35 modules are all parallel in content and may be studied in any order. In the business-specific modules, students will learn more about

the nature of the specific business and the special traits of small business owners in this field. They will continue to explore the essential entrepreneurial skills introduced in the core module and will have an opportunity to apply these skills further to the specific business selected. Due to the introductory nature of this program, students will not actually participate in starting and operating a small business. They will, however, participate in small business activities relating to planning, decision making, operations management, and problem solving.

The core module provides definitions of small business and small business owner and many other important words relating to entrepreneurship. It describes the eight main skills required in starting and managing a small business. It outlines the steps that must be taken to start a business and to manage the various aspects of a business such as personnel, operations, purchasing, advertising, and recordkeeping. It presents various alternatives within small business ownership (such as being a self-employed owner with no employees, owning a partnership, and operating a franchise). It provides guidelines for business decision making and lists sources of professional services and business information. Methods of analyzing the "health" of one's business are also outlined, and guidelines for increasing sales and updating products and services are provided.

In the learning activities, students will review information presented in the text, relate it to businesses in their community, and make preliminary explorations into start-up and management skills. Specific application of entrepreneurial skills to realistic business situations is further emphasized in the business-specific modules.

Content Organization

Each unit of the module contains the following:

1. Divider Page--a page listing the unit's goals and objectives.

2. Case Study--a description of a particular small business owner who is making certain business decisions and plans or solving certain problems.

3. Text--four to five pages outlining business management principles introduced in the case study.

4. Learning Activities--three separate sections, including:

   a. Individual Activities--finding information given in the text or applying information in the text to new situations.

   b. Discussion Questions--considering broad issues introduced in the text; several different points of view may be justifiable.

   c. Group Activity--taking part in a more creative and action-oriented activity related to real-life small business ownership.

General Notes on Use of the Module

Instructional Time:	Each unit = 1 class period; total class periods = 15	
	Introduction, quiz, summary	1
	Total instructional time = 16 class periods	

The case study and text are central to the program's content and are based on the instructional objectives appearing in the last section of this Guide. Learning activities are also linked to these objectives. You will probably not have time, however, to introduce all the learning activities in each unit. Instead, you will want to select those that appear most related to course objectives, are most interesting to and appropriate for your students, and are best suited to your particular classroom setting. Certain learning activities may require extra classroom time and may be used as supplementary activities if desired.

Before presenting the module to the class, you should review both the Student and Teacher Guides and formulate your own personal instructional approach. Depending on the nature of your classroom setting and the students' abilities, you may want to present the case study and text by instructional means that do not rely on students' reading--for example, through a lecture/question-answer format. Case studies and certain learning activities may be presented as skits or role-playing situations.

No particular section of the module is designated as homework, but you may wish to assign certain portions of the module to be completed out of class. Individual activities may be completed in class or for homework. Discussion questions and group activities are specially intended for classroom use, although some outside preparation by students may also be needed (for example, in the case of visiting a small business and interviewing the owner).

Methods that enhance student interest in the material and that emphasize student participation should be used as much as possible. Do not seek to cover material exhaustively, but view the course as a brief introduction to entrepreneurship skills. Assume that students will obtain more job training and business experience before launching an entrepreneurial career.

Organization and Content of Teacher Guide

The following section of the Teacher Guide--Suggested Steps for Module Use--contains:

- suggestions on introducing the module;
- a brief discussion of each unit;
- responses to learning activities;
- suggestions for summarizing the module; and
- responses to the quiz.

In some cases, other responses to learning activities will be acceptable if they are based on the material in the module and are rationally defended by the student. The quiz may be used as a formal evaluation of student learning or as a self-assessment tool for students.

The last two sections of the Teacher Guide consist of Suggested Readings for the teacher and Goals and Objectives for the module.

SUGGESTED STEPS FOR MODULE USE

Introduction (15 minutes, or integrate within first hour of Unit 1)

I. Purpose of Module

- To increase students' awareness of small business ownership as a career option
- To acquaint students with the skills and personal qualities small business owners need to succeed
- To acquaint students with the kind of work small business owners do in addition to using their vocational skills
- To expose students to the advantages and disadvantages of small business ownership

II. Points to Cover

In introducing this module, you will want to open the students' eyes to all the small businesses around them and to the fact that they too can become small business owners. Points to cover in the introduction include:

- types of small businesses and examples of each;
- the importance and extent of small businesses in our economy;
- the high failure rate of small businesses;
- the importance of good business management skills in keeping a business successful; and
- the rewards and demands of small business ownership as a career.

III. Suggested Ways of Covering Points

a. Have students give you a list of small businesses in your community, describing the product or service each one provides.

- Emphasize that small businesses are generally retail or service businesses, though some are engaged in manufacturing or wholesaling.
- Emphasize that seven out of ten retail stores and probably more service businesses are small (that is, they have zero to four employees).

- Ask them how valuable these small businesses are to the community. What would happen if all small businesses were to close?

b. Ask students to describe briefly the degree of success of some of the small businesses they have listed. Have them explain why these businesses succeeded or failed.

- Mention the high rate of small business failure. (Half of all small businesses fail in the first two years--mainly because of poor management.)

- Explain that with good management skills a small business owner can usually conquer the problems he or she faces daily--such as small amounts of money, high costs of goods and labor, and stiff competition.

c. Present a situation in which a student is unable to find a job in his or her vocational area or in which he or she has just quit a job in a large company due to dissatisfaction. What are the alternatives to working as an employee in an existing business?

- Elicit responses like working out of one's home as a self-employed person; buying an existing small business; starting a new business outside the home; and acquiring a franchise.

- Have students brainstorm regarding all the businesses that could be started in a particular vocational discipline, such as Business and Office.

Unit 1 - Being a Small Business Owner (1 class period)

I. Case Study: Peggy Miller plans to open an old-fashioned candy store. Peggy has many of the abilities needed to be a small business owner and also has some valuable experience and training. Peggy takes responsibility for all eight areas of small business management to be discussed in subsequent units of this module.

Text: What Is a Small Business?
Kinds of Small Businesses
What Is a Small Business Owner?
Abilities Small Business Owners Should Have
What Small Business Owners Do

Points to Emphasize

- Like Peggy, other vocational education graduates can become small business owners. Though it is possible to enter small business ownership immediately after high school, it is generally advisable for the vocational education graduate to

acquire further experience, business training, and financial resources beforehand.

- The failure rate of small businesses is high. Over 50% of all businesses fail in the first two years, primarily because of poor management.

- Because of the great potential for business failure, students should evaluate their personal qualities and skills carefully before entering small business ownership. They should also seek training in management skills and/or maintain close contact with knowledgeable business advisors.

- In making a preliminary comparison of their personal qualities with those of the "ideal" small business owner, however, students should keep in mind that many of these abilities can be developed. Students should not get discouraged about their own entrepreneurial potential at this point.

II. Responses to Individual Activities

1. a. small business owner
   b. small business owner
   c. employee
   d. employee
   e. small business owner
   f. employee

2. The following businesses are the small ones:

   Joe's Barber Shop
   Main Street Shoe Repair
   Quick TV Repair
   Homecleaning by Horace
   Elisa's Dress Boutique

3. Examples of retail businesses (businesses that sell finished products to the customer) are:

   shoe store
   candy store
   clothing store
   grocery store
   office supply store
   bicycle shop
   bakery

   Examples of businesses performing a service for the customer are:

   auto repair shop
   child care center
   bookkeeping service
   landscaping service
   beauty shop
   plumbing service

   An example of a small manufacturer is a business making leather crafts. An example of a small wholesaler is a food broker, who buys produce from farmers and sells these goods to retail markets.

   Note: Certain businesses may sell a product and provide a service--for example, restaurants.

III. Responses to Discussion Questions

1. Peggy has most of the abilities listed on the chart. Students should give specific examples from the case study of how she exhibited these abilities.

2. Some people like to make their own decisions, set their own schedule, and be their own boss. They feel "cramped" working where someone else makes the decisions. They enjoy thinking up new business ideas and then carrying them through on their own.

   Of course, starting and running a business has risks. You have to find money to start your business. You have to find good workers. You have to work very hard yourself. You may not see your family and friends as often as you'd like. There are often problems to solve. At the beginning, you may earn less than if you were working for a big company. And your business may fail. You may have to start over again.

3. To start her business, Peggy had to:

   - plan the business (decide on a product to sell, find a store, raise money, decorate the store, choose a business name, and get business advice)

   Once the business was started, Peggy had to:

   - be in charge of people
   - organize the work
   - buy and keep track of goods
   - set prices
   - advertise and sell
   - keep financial records
   - keep her business successful (get financial advice, make sure she had enough money in her business to pay her bills, plan for selling new products and for starting a second store)

   Mark had a smaller number of responsibilities. He had to:

   - sell candy
   - check in supplies
   - clean up the shop
   - help Peggy with other jobs as needed

4. Peggy could have started her own child care center. She had high school training and work experience in this area. Because of her home economics training (in cooking, sewing, homemaking, and child care), Peggy could also have started a tailoring business making and altering clothes, a fast-food shop or small restaurant, a housecleaning service, or a service helping sick or elderly people (by fixing their meals and doing errands).

IV. Group Activity

This activity is designed to acquaint students with a real-life small business owner. The interview will help students evaluate the career of a small business owner and decide whether they are interested in this career. They will also be able to compare their abilities and personalities with those of a successful small business owner and decide whether they are suited to small business ownership.

This activity will help students see the disadvantages and difficulties of small business ownership. Hopefully, students will also be made aware of the high potential for failure in small business ownership.

The small business owner may be invited to speak to the whole class, or students may conduct the interview at his or her place of business.

This activity, which will probably be of high interest to students, will require extra time.

Unit 2 - Planning a Small Business (1 class period)

I. Case Study: Luiz Ramirez plans to start a private guard service. He does research about trends and services in this kind of business. He also studies his competition and possible groups of customers. Luis uses professional advisors and other sources of business information to help him plan.

Text: Making Your Decision to Start a Business
Information You Will Need to Plan Your Business
Picking a Business Image
Where to Get Business Information and Help

Points to Emphasize:

- "Market research" takes time and effort, but it pays off in a more realistic and creative business plan.
- "Good business ideas" are good only if the customer agrees with them. The small business owner should focus on customers' needs and wants, not on his or her ideas of what they should need or want.

II. Responses to Individual Activities

1. Luis got information by:

   - reading a business magazine;
   - talking to the owner of another guard service;

- talking to the police chief;
- reading the newspaper about crime in town;
- talking to several families who had been robbed; and
- looking in the Yellow Pages to find out about his competition.

He could also have gotten information by:

- talking to business owners who might need a guard service;
- talking to an insurance agent about insurance needs;
- talking to a lawyer about legal requirements;
- ordering a subscription to a guard magazine; and
- going to a convention of guards.

2. Students should take as much information as possible from the ads. They should list the information under the appropriate column in the chart.

3. Luis wanted a "prestige" business image since he wanted to serve Stoneville's wealthy families. He chose his business name to tell his customers about his interest in excellent service. Luis's guards should be personal and friendly and should dress in professional uniforms. His prices should be fairly high, since his customers would probably want high-quality protection and would be willing to pay for it.

4. Possible answers include businesses, hospitals, museums, and private families. Students should justify their choice of the best customer group based on this group's need for the service and its ability to pay.

5. Students should list professionals who work with small business owners. The description of their services should focus on ways these professionals help the owners plan and run their business and handle business problems.

III. Responses to Discussion Questions

1. Possible trends include the practice of taping a friend's record instead of buying your own, the trend toward going to discos instead of buying records, and the popularity of other recording media such as cassettes and videotapes. A record shop could also sell cassettes, videotapes, recording equipment, stereos, rock music souvenir items, sheet music, etc.

2. Possible customer groups include children (children's records), middle-aged adults (classical and popular music), teachers (educational records), teenagers (hard rock music), and young working people (rock, folk, and pop music). Special services could include personal shopping advice, the chance to preview records before buying, credit privileges, repair of stereo equipment, and classes on stereo assembly.

3. Students should list the steps and kinds of information mentioned in the text. Students should pick information sources that are quick and easy to use and offer thorough information on each topic.

IV. Group Activity

This activity is designed to acquaint students with the value of researching the market before starting a business and with methods of doing the research. Students should study products and services, trends, customers, and competition. Their decisions about what their particular record shop will be like should be firmly based on the results of their research. Students should be able to defend their decision about whether their town can support another record shop (based on a study of the competition).

Unit 3 - Setting Up a Small Business (1 class period)

I. Case Study: Willie Nelson makes a decision regarding whether to start a Quik-Tune (auto tune-up) franchise or to form a partnership with his friend Jesse Johnson. He also decides whether to start a new business or to buy an existing business and obtain a business license.

Text: Forms of Business Ownership
Ways of Getting into Business
Business Permits You May Need

II. Responses to Individual Activities

1. A sole proprietorship is a business owned by one individual.

A partnership is a business owned by two or more individuals who make all the business decisions.

A corporation is a business owned by a group of stockholders who elect officers to make the business decisions.

A franchise is a privately owned business that takes its name and business ideas from a larger parent company.

2. a. partnership
b. sole proprietorship
c. corporation
d. partnership

3. General permits needed by all businesses (such as a tune-up shop) may include a building permit, a use and occupancy permit, or a city business license. This depends on local and state regulations. A second-hand furniture store may need more permits than a tune-up shop. A restaurant will be required to have some sort of health permit.

III. Responses to Discussion Questions

1. An existing business is already planned and has its own customers. If the business has been poorly run, though, this may be more of a "con" than a "pro" since the business may be difficult to change.

   A new business requires more initial planning and organization but can usually be more responsive to the owner's ideas. Finding customers may be a problem at first.

2. Possible responses include:

   - Fast-food restaurants: McDonald's
     Kentucky Fried Chicken
     Dairy Queen

   - Auto parts, rentals, and services: Goodyear Tire Centers
     Western Auto Supply
     Hertz Rent-a-Car
     Kwik Kar Wash
     Midas Muffler

   - Motels and campgrounds: Holiday Inn
     Kampgrounds of America

   - Employment agencies: Manpower
     Kelly Services

3. Possible responses include the following: Partners may have differing views on how the business should be run or changed or may have differing degrees of commitment to making the business work. Partners may disagree about what products or services to offer, whom to hire or fire, how to handle growth, and how to use profits. Partner #1 may want to sell his or her part of the business. If another compatible partner cannot be found as a replacement, partner #2 may have to sell the business.

   If one partner is incompetent or dishonest and harms the business, the other partner(s) may have to pay the legal and financial consequences as well.

4. Students should support their opinion with facts. The best choice of a form of business organization is the one that makes the business run most smoothly at the lowest cost. Since Willie's partnership provided him with the finances and business advice he needed, he probably made a good decision.

The Quik-Tune parent company would have helped Willie in some of the following ways:

- location assistance;
- training in start-up procedures;
- management training;
- auto tune-up training;
- provision of supplies at a reasonable rate;
- benefits of national advertising; and
- financial counseling.

Willie would have had some of the following obligations to the parent company:

- purchase of equipment and supplies from specific suppliers;
- choice of location and building based on franchisor's recommendations;
- payment of initial franchise fee and yearly percentage of profits;
- operation of business according to prescribed guidelines (for example, regarding tune-up procedures, pricing, bookkeeping, employment practices, and standards of cleanliness); and
- adherence to parent company's policies regarding his work hours and vacations.

IV. Group Activity

This activity is designed to show students the necessity of good business organization, especially since more than two people are involved. Students should consider the advantages and disadvantages of both forms of business organization and defend their choice based on these facts.

A partnership would allow all partners to participate more directly in business decisions. However, decision making among several people is often difficult and time consuming. Also, with several partners the chances of one or more people wanting to get out of the business are increased.

In a corporation, the stockholders would have less direct control over everyday business operations. However, daily decisions could be made more quickly since one person, the president of the company, would have this authority. Also, the corporation would "live on" even if one or more stockholders withdrew from the business. Additional investors are easier to locate than full-fledged partners.

Students should allocate profits based on each business owner's financial and time commitments to the business.

Unit 4 - Choosing a Location (1 class period)

I. Case Study: Frank Vitale picks a location for his new health food restaurant from three possible sites. He studies various aspects of each site before making his decision.

Text: Information Needed to Choose a Business Location
How to Get Information about Choosing a Business Location

Points to Emphasize:

- No "ideal" business location exists for all businesses. Although certain factors will influence all location decisions, the best location for a shoe store is not the best location for a landscaping service.

- A good location for retail businesses is essential, since people always visit this type of business in order to buy. The location of certain service businesses may be less crucial, especially if customers do not generally come to the office to obtain services. Wholesale and manufacturing businesses should be close to suppliers and transportation. Closeness to customers and appearance of the building, however, are less essential for these types of businesses.

II. Responses to Individual Activities

1a. Students should describe their business to these advisors in enough detail so they can receive good advice on an appropriate location.

b. They should give an organized presentation of the information they collect and should support their recommendations logically.

2. The men's clothing store should be located in a busy downtown area or in a large shopping district near other exclusive shops. The convenience food store should be located on a well-trafficked street near a residential area. A landscaping service should be located away from downtown or shopping center traffic in a site with adequate space for the business. Being on a main road or near a wealthy residential area would be helpful.

III. Responses to Discussion Questions

1. Based on the customers he wanted to reach and the business history of each site, Frank made a good decision. If he had

made his restaurant more deluxe in menu and price (but not French), he might have been able to succeed in Site #1. If he had made his restaurant cheaper and had served a different kind of food (e.g., Mexican or Italian, prepared by a native cook) and had done lots of promotional work with the neighbors, he might have succeeded in Site #3.

2. An antique store attracts only a certain small subgroup of the people living in an area--those who are fairly wealthy and are interested in historical furniture. To get enough customers to support such a store is, therefore, more difficult than getting customers for a food market. Almost everyone in an area--young or old, rich or poor--buys food regularly and would at least consider shopping at a market that was close by.

3. In businesses that require a fairly small population to succeed, two similar businesses could probably co-exist without too much trouble. This would be particularly true of retail clothing stores, since people like to shop around for clothes.

   In businesses that require larger populations to succeed, being close to the competition is probably less wise. Two data processing services close by might be a bad idea in a small town. However, if a town has enough customers to support two such companies, it would not be such a bad idea for both services to locate in an area dedicated to small "business service" companies. In this way, customers would know where to go for data processing help.

4. A delivery service would need an entirely different location than a dress shop. If the dress shop failed, this does not necessarily mean a delivery service would fail. The customers of the two businesses are different, as are the types of business districts appropriate for each one.

   In starting a delivery service, you should locate near small businesses likely to use your service. Your building should be attractive but need not be large or elaborately furnished. Your customers will be more interested in the speed and reliability of your delivery service than in the appearance of your office. The office should also be on a main traffic route to maximize speedy travel to the airport.

IV. Group Activity

A small business owner's decision of where to locate normally follows the decision of the kind of business to open. Nevertheless, this activity will help students learn to collect and evaluate information about a particular business location. They will obtain experience interviewing business owners and customers and doing on-site observations of the building and the area. Students' recommendations on the kind of business to open in their location

should be based on the number and type of residents in the area and all the other factors discussed in the text.

Unit 5 - Getting Money to Start (1 class period)

I. Case Study: Calvin and Henry Fong plan their financial needs for their new barbershop and apply for a business loan from the bank.

Text: Where to Get Money to Start
Information Needed to Get Business Loans
The Statement of Financial Need

Points to Emphasize:

- Emphasize that different banks require completion of different forms for business loans. The statement of financial need is a synthesis of many other forms called for by banks. A particular bank may or may not require use of this form.
- Common financial forms used by banks are the projected profit/loss statement (see Unit 14), the balance sheet, and the projected cash flow statement (see Unit 13).
- Discuss today's high interest rates on loans, if you desire, and how this may affect small business ownership.
- Investigate the types of financial aid offered by the Small Business Administration and Small Business Investment Companies, including special opportunities for women and minorities.

II. Responses to Individual Activities

1a. Total expenses; total money on hand; and total business loan needed.
b. Their own money; loan from a relative; and business loan from bank.

2. The business description, though short, should contain information about:

- the business services;
- the locaton of Calvin and Henry's building and the type of building (store or office; in good condition or in need of repair; suited to the business or in need of renovation);
- the nature and location of competition;
- the nature of potential customers; and

- special ways to compete--their business image, special services, and advertising strategies.

The business description should show that the authors have planned ahead. The information about the business should indicate a high chance of success.

3.

	Total Money on Hand	$4,500
	Total Expenses	$7,080
Total Expenses $7,080	Total Money on Hand	-4,500
(for first three months)	Total Loan Money Needed	$2,580

III. Responses to Discussion Questions

1. The business owner should communicate three kinds of personal information to the bank--capability, character, and commitment. Information about the business owner's "capability" should include a description of his or her education, work experience (ideally in both technical and management areas), other skills and experience related to running a business, amount of savings and assets that could be invested in the business, and personal debts owed. These should all be presented in clear written form (e.g., through a resume and a personal financial statement). The loan applicant's "character" and "commitment" to the business can be described somewhat in the written documents, but also must be communicated personally during the loan interview.

2. Revenues from barbering will be Calvin and Henry's other source of money. As the business grows, they will use their revenues to pay their monthly operating expenses. They will also start to pay back the bank loan and will take out a salary for themselves.

3. Calvin and Henry's revenues and expenses (profit/loss statement) will look like this for the first several months.

	1st Month	2nd Month	3rd Month	4th Month
Revenues	900	1,200	1,500	1,800
Expenses	730	730	730	730
Amount Left After Expenses Have Been Paid (profit)	170	470	770	1,070

By the end of the fourth month Calvin can probably start taking out $800 in salary. In the second or third month, he should also start paying back the business loan, depending on the bank's terms (e.g., $100/month). Henry could start taking out a salary later on.

IV. Group Activity

This activity is designed to emphasize the importance of being prepared for a loan interview. Banks don't lend money easily. The borrower must present sufficient information to convince the lender that the business is well planned and that the borrower is well qualified to run the business. He or she must also give evidence that, even if the business fails, the borrower will be able to pay off the loan.

Students playing Calvin and Henry should present adequate facts about the soundness of their business plan and their own reliability. Mr. Lee should ask questions to draw out missing information and should point out flaws in the brothers' arguments. Mr. Lee should arrive at a decision based on the strength of Calvin and Henry's presentation.

Unit 6 - Being in Charge (1 class period)

I. Case Study: Ed Olsen, who is handicapped, hires Sal and Mario to help him in his auto parts/auto repair business. He makes decisions on tasks to be performed by himself and his two workers and solves a personnel problem.

Text: How to Organize Your Workers
How to Hire a Worker
How to Keep Your Workers Happy

Points to Emphasize:

- Being in charge involves organizational and interpersonal skills.
- It is costly to hire and train an employee, so this should be done carefully. Small business owners should try to keep the workers they hire.
- Orientation, training, evaluation, and recognition of employees as well as good communication and effective handling of conflicts are important in keeping workers happy and productive.

II. Responses to Individual Activities

1. Ed did a good job of dividing the work based on the ability of his workers and the amount of work they had to do. If the work load increased or changed, Ed might have to reorganize tasks for his workers.

	Title	Tasks
Ed	Owner and Manager	Order, check in, and sell auto parts Take customer orders Do banking and recordkeeping Hire employees and handle conflicts
Sal	Head Mechanic	Organize the auto repair work Do major repair work Train and supervise Mario
Mario	Mechanic's Assistant	Do oil changes, lubes, and tuneups Help Sal with major repair work Keep shop clean Help Ed check in auto parts

2. a - 3 e - 1
   b - 7 f - 5
   c - 2 g - 4
   d - 6

3. Students' list should include tasks to be performed; experience and training needed; wages, hours, and benefits offered; name, address, and phone number of employer. Information on how to apply for the job should also be given.

4. The ad should be brief and clear and contain the information listed in #3 above. Wages should be in line with those offered to entry-level mechanic trainees in your area. The ad should also explain that on-the-job training will be provided.

III. Responses to Discussion Questions

1. Ed handled the problem quite well. He spotted trouble fairly quickly and asked Sal about it in private. He showed Sal he appreciated his work and understood the problem. He came up with a quick solution. Ed also got Mario's side of the story. He pointed out Mario's strong points and encouraged him to try harder.

   Ed solved the problem by defining Mario's responsibilities more clearly. He gave Sal more authority along with his added responsibility. He also rewarded Sal financially since he was doing more work. He got Sal and Mario's consent before he made the changes he planned.

   Personnel problems may be solved by a personal problem-solving session with the employee; increased recognition of the employee's good work; further on-the-job training; promotion, demotion, or shifting of responsibilities; recommendation for psychological counseling; and, finally, firing.

If Ed's business continued to grow, Ed could hire another employee to help with the parts or the repair aspects of the business. He could lessen his own work load by having Sal take customer repair orders and check equipment weekly. Mario could assume increased responsibility for repair work as he learned. As Sal and Mario's responsibilities increase, Ed should raise their wages accordingly.

2. Problems could include difficulties doing the work or getting it done on time; boredom with work; resentments toward the boss; interpersonal conflicts with other workers; tardiness or excessive absenteeism; and personal problems (at home) causing depression or anger on the job.

3. Possible ways of communicating better to prevent and solve problems include giving needed encouragement and affirmation, communicating your plans and expectations ahead of time, expressing negative reactions calmly and before things reach a crisis, working together to solve problems, discussing certain problems only in private, and accompanying criticism with specific recommendations for change.

4. Students should be encouraged to think of the challenges of personnel management and the other aspects of small business management. They should assess their own interests and abilities in each area. Suggestions should be made regarding how they could strengthen their weak areas.

IV. Group Activity

This activity is designed to help students develop interviewing skills needed in hiring employees in a business. They should be able to communicate job information clearly and to treat other individuals positively and critically. After each role play, the class should discuss participants' ability to obtain and communicate information and to deal personally with others.

Unit 7 - Organizing the Work (1 class period)

I. Case Study: Mary Crow organizes the daily operations of her landscape business. She takes customer orders and schedules her employees' work.

Text: Steps in Doing the Work of a Business
The Work Order
The Work Schedule

Points to Emphasize:

- Small business owners spend much of their time organizing, managing, and checking. Depending on the business, they may actually spend little time using their vocational skills.

- Methods of organizing daily operations differ widely among businesses.

- The work order described in this module is most appropriate for service businesses that perform large jobs that must be described to employees in detail (e.g., construction, landscaping, heavy equipment repair).

- Other types of work orders may be preferable for other service businesses. Work orders are not generally used in retail businesses.

- The work schedule has more universal application in small businesses. Though daily work may not vary from day to day in certain businesses, work schedules are also used to plan employees' hours, days off, etc.

II. Responses to Individual Activities

1. a - F
   b - F
   c - T
   d - F
   e - T

2.

WORK ORDER

FROM: Golden Dawn Landscaping Serv.
12380 Magnolia Avenue
Greenville, North Carolina

WORK FOR: Clyde Watkins
1901 Indian Mound Rd.
Greenville, NC
493-3550

DATE: September 12
WORK ORDER NUMBER: 103
ORDER TAKEN BY: Mary Crow

START WORK ON: September 24
FINISH WORK ON: September 30

Person Doing Work	Estimated Time Needed	Description of Work
Tony & Pierre	2 days	Remove dead oak tree in back yard
Tony & Pierre	2 days	Tear out old bushes and build raised garden beds in back yard
Pierre	1 day	Plant raised garden beds (juniper) (For detailed plans, see Contract #103)

WORK STARTED ON: September 24
WORK FINISHED ON: September 30
WORK INSPECTED BY: Bob Schulz
Customer's Signature Clyde Watkins

TOTAL MATERIALS	600 00
TOTAL LABOR	580 00
TAX (5%) on materials only	30 00
TOTAL COST	$1,210 00

3.

WORK SCHEDULE

Date: Wednesday, September 24

Employee	Description of Job	Estimated Dates
Bob	① Start job at Watkins (Job #103) ② Prepare estimate of Greenbrier Hospital job (Job #104)	September 24 September 24-26
Tony	Remove Watkins' dead tree (Job #103)	September 24-25
Pierre	Remove Watkins' dead tree (Job #103)	September 24-25
Sam	Vacation	September 24-30

III. Responses to Discussion Questions

1. Generally it would not be necessary to enumerate shoe store employees' tasks on a work schedule, since they would be the same every day. During special sales or inventory periods, however, specific tasks could be listed on the work schedule (e.g., Mary: check in sales merchandise, 9 - noon; sell, 1-5 p.m.). If workers had varying hours and days, a work schedule would also be helpful.

   The work order would not be used in a shoe store because there is no need to put customer orders in writing. (Sales slips would be used here instead.) The work order is more appropriate for businesses providing rather elaborate, individualized services.

2. A work order used in a typing service would probably be simpler and shorter than one used in a landscaping service, since typing jobs are fairly self-explanatory. A work order for a typing job might look like the following.

Person Doing the Work	Est. Time Needed	Description of Work
Mabel Smith	5 hrs.	Type 150 letters and envelopes for George Mason; draft letter and address list attached (job #57)

3. A work schedule might be helpful for Mary. She could schedule the following tasks in her day: talking to suppliers, ordering plants and other supplies, paying bills, doing the payroll, doing the bookkeeping, attending special landscaping and management classes, meeting her accountant and other business

advisors, and planning advertising. She would have to leave a lot of time in her day, however, to meet with customers as they called or came in to her business. These spontaneous interactions with customers could not be planned ahead of time.

4. Charles had a poor idea of small business ownership when he started. He should have realized that, as the owner/manager, he would be doing more supervising and organizing than cooking. Being a restaurant owner is different from being a chef. Students should realize that to be a good small business owner, they must like to manage as well as or better than they like to "do." If Charles really wants to cook all day, he should either (1) find a partner or hire a manager to "be in charge" so he can do the cooking himself; or (2) sell his business and get a job as a chef in someone else's restaurant.

IV. Group Activity

This activity is designed to help students become aware of the need to divide tasks and organize workers' schedules.

The schedule should be prepared so that at least one worker opens the shop (at 10 a.m.) and at least one closes it (at 6 p.m.). Two or even three people should work on Saturday and Sunday. One worker should cook, and one or two should sell. Supplies should be ordered during slow periods on a certain weekday (not Saturday or Sunday). The person(s) who closes the shop should clean up and count the money.

Students should show by their work schedule that they understand the importance of having enough staff to perform needed duties at all times.

Unit 8 - Buying and Keeping Track of Supplies (1 class period)

I. Case Study: Mike Thayer chooses suppliers for a new line of products he will sell in his hardware store--plants, seeds, and garden supplies. He uses a purchase order to buy his goods and an inventory card to keep track of them.

Text: Decisions to Make in Buying Goods for Your Business
The Purchase Order
The Inventory Card

Points to Emphasize:

- Buying and keeping track of goods are of prime importance in retail businesses and less so in many service businesses.
- Inventory systems vary with the business. One method that may be used is the perpetual inventory system, as illustrated by the inventory card in the text.

II. Responses to Individual Activities

1.

PURCHASE ORDER

TO: Hothouse Suppliers
1818 North Oaks Drive
Tuskegee, Alabama

SHIP TO: Thayer & Son Hardware
201 Westlake Ave.
Angus, Ohio

DATE: October 23, 1979
PURCHASE ORDER NUMBER: 01356
REQUIRED DELIVERY DATE: March 10, 1980
SHIP VIA: Truck

Quantity	Unit	Description	Unit Cost	Total Cost
50	5-lb. bags	Potting soil	2 70	135 00
75	-	Clay flower pots	66	49 50
200	bottles	Plant food	1 50	300 00
25	-	Rakes	5 00	125 00
10	-	Hoes	7 50	75 00
20	-	Shovels	8 00	160 00
100	-	Trowels	1 00	100 00
			Subtotal	944 50
			Tax(6%)	56 67
			TOTAL	$1001.17

Signature: Mike Thayer

2.

INVENTORY CARD

Item Clay Flower Pots
Supplier Hothouse Suppliers
Reorder Point 30 Reorder Amount 75

AMOUNT RECEIVED		AMOUNT SOLD		AMOUNT REMAINING	
Date	Amount	Date	Amount	Date	Amount
3/2	75	3/3	7	3/3	68
		3/7	12	3/7	56

III. Responses to Discussion Questions

1. Mike made a good decision about suppliers. He decided to order seeds and plants from Sunshine because it was well known and had high-quality merchandise, which would please his customers. He thought his customers would be willing to pay the

higher price he would charge. Also, Sunshine's delivery service was fast, which is very important for live plants.

He ordered the other supplies from Hothouse, because he felt that economy was more important than quality for these items. Having two suppliers is better than having only one. If Hothouse or Sunshine had a delay in delivery or other business problems, Mike could quickly order what he needed from the other company.

2. If sales continued at the same rate, Mike would need to order more plant food after three weeks--when he had 50 bottles left. The plant food was a popular product. Although he started out ordering only a small amount, Mike discovered that his customers did want this product. He probably should increase his order to 500 or more bottles at a time. Since the plant food is for indoor and outdoor plants, his customers may continue to buy it during the winter, although Mike will have to watch his records to make sure. Another reason for ordering in larger amounts would be that he might be able to get a discount from Hothouse Suppliers.

3. Hammers and nails should not necessarily be bought in October. They are in demand all year round. Mike should plan to buy these regularly--for example, four times a year, or whenever his supply gets low.

4. A small drug store would probably buy its cosmetics from one or more wholesalers. Wholesalers are usually less expensive than retailers and offer a wider range and higher quantity of merchandise.

   The advantage of buying from wholesalers instead of from producers is that wholesalers save the small business owner time and energy by collecting goods from several producers in one location. They also give valuable business advice. If the owner wanted to buy cosmetics directly from the producers, he or she would probably have to spend lots of time making phone calls or taking buying trips in order to examine and select the wide range of cosmetics needed for the store. These phone, travel, and labor costs would force the owner to charge a higher price for the cosmetics.

5. A small bookkeeping service would need the following supplies: ledger books, typing paper, ribbon, pens, pencils, copier paper and supplies, special letterhead paper, bookkeeping forms, etc. Suppliers would probably be retail office supply stores listed in the Yellow Pages. Suppliers could be chosen by visiting the store and inspecting the goods sold; by reading about products, services, and prices in the Yellow Pages; or by asking for recommendations from other small business owners. The best supplier would be the most convenient one with the best goods and services and the lowest prices.

IV. Group Activity

This activity is designed to help students understand both the information-gathering and the decision-making phases of the purchasing process. They should carefully describe the product they wish to buy and select the supplier(s) that offers such a product. If possible, they should refine their choice by checking prices and services of suppliers and defend their choice.

Unit 9 - Setting Prices (1 class period)

I. Case Study: Gus Pappas figures how much to charge for one of the sandwiches he will sell in his mobile catering business. He makes the decision based on a study of his costs, average profits in the industry, customer demand, and the prices of his competition.

Text: What Is the Selling Price?
Other Things Influencing the Selling Price
Other Tips on Setting Prices

Point to Emphasize:

- Setting prices is a challenging task, because so many factors influence the selling price. Other factors not mentioned in the text include the volume of products or services sold, planned future markdowns, perishability/fragility of the product, and legal constraints on prices.

II. Responses to Individual Activities

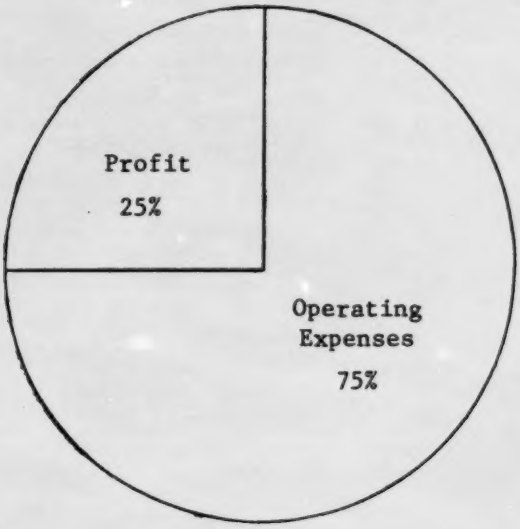
1. c
   a
   d
   b

2. Selling price - (profit + operating expenses) = cost of goods sold: $1.50 - ($.36 + .39) = $.75

3. Selling price - (cost of goods sold + operating expenses) = profit: 100% - (56% + 36%) = 8%

   As Gus's business grew, his operating expenses increased, especially money spent on salaries and equipment. Therefore, his percentage of profit decreased. (This is not totally bad, because Gus also brought in a larger amount of revenues due to his expanded business.)

4. Selling Price of Delivery Service



No goods are sold in this business. Operating expenses (including salaries of delivery people, gas, and other transportation costs) and profit are the two main parts of the price.

V. Responses to Discussion Questions

1. Gus's price could never be as low as the price of a homemade sandwich because that price equals only the cost of goods sold. Gus must raise the price to cover operating expenses and profit. Otherwise, he will not be able to stay in business.

2. Gus had a business image that was different from that of the luncheonette because he stressed convenience and low prices. The luncheonette stressed convenience, too, but also offered a wide variety of food, comfort, and personal service. Because the luncheonette had a more attractive atmosphere and offered more services than Gus did, it could charge higher prices.

3. A business can charge a high price when there is little or no competition, when its product or service is obviously better than the competition's, or when it feels people are willing to pay this price.

IV. Group Activity

This activity should help students collect and analyze information about pricing factors and draw conclusions. Students should choose a price that covers their costs, is competitive with prices of similar products, and is acceptable to customers. They should also allow themselves a profit.

Unit 10 - Advertising and Selling (1 class period)

I. Case Study: Ginny and Dave Scott make plans to open a women's sportswear shop in Florida. They plan their advertising strategy for the first year. They decide the amount they will spend, the audience they will reach, the media they will use, the timing of their advertising, and the purpose and content of ads.

Text: Things to Think about in Planning Your Advertising
What a Good Ad Is Like
Why People Buy
How to Make a Sale

Points to Emphasize:

- The principles of good advertising apply to all businesses--go where your customers are, attract their attention, make them eager to buy, give them sufficient information, and remind them often.
- Different media are appropriate for different businesses.

II. Responses to Individual Activities

1. c
   a
   b
   d

2. Students should present information clearly:

Size (type) of ad	Price (per month)

3. The five parts of each newspaper ad should be clearly marked. Any missing parts should be noted. Students should support their choice of the best ad based on the guidelines given in the text of the module.

III. Responses to Discussion Questions

1. Advertising can let people know that your business exists, bring in new customers, remind old customers to keep coming in, announce sales, give information about new or special products or services, create goodwill, and make people want to buy (create demand). Advertising cannot get people to buy if products are out of stock, out of date, inferior, or shopworn; if prices are too high; or if salespeople are rude or incapable. Advertising brings people to your business; other factors actually make them buy.

2. Dave and Ginny used the following other means of promotion:

   - planned a free fashion show;
   - put tropical birds in the store to attract attention;
   - gave free alterations;
   - offered credit;
   - served free champagne on opening night;
   - used discount coupons; and
   - planned an end-of-summer sale.

   They could have also:

   - used eye-catching window and interior displays;
   - used attractive signs outside the store;
   - offered extra services like free delivery and free parking;
   - given away samples, free gifts, etc.;
   - used identification devices like shopping bags, buttons, and pens to publicize the name of the store;
   - gotten free publicity in the press (such as a news article about their grand opening or about their collection of rare birds);
   - sponsored a women's sports team;
   - sponsored special events such as contests or open houses; and
   - contributed to charities, done community work, or joined a local business owners' group.

3. Advertising for a data processing service would probably center around the Yellow Pages. The business owner could also use direct mail advertising to nearby businesses or put an ad in the newspaper classified section. He or she could visit local businesses in person and distribute business cards at business meetings and conventions. The owner could also encourage present customers to "spread the word" to business friends and offer incentives (like a free calendar or lunch) for customers who brought in more business.

   For a carpentry business, print advertising (besides the Yellow Pages and ads in local want ad-type newspapers) is seldom used. A carpenter is most successful in getting customers by having his or her present customers tell their friends, talking to neighbors of customers while working on a job, inviting people to go see previous work done or to look at a scrapbook, and passing out business cards and posting them on community bulletin boards.

IV. Group Activity

This activity is designed to help students plan an advertising program (given a budget) and to develop a printed ad.

Students should aim at developing a cost-effective advertising program reaching the largest number of customers at the lowest expense. Various responses are acceptable.

Sample Response

ADVERTISING PLAN FOR "FUN IN THE SUN"

Advertising Medium (include number or size of ad)	Cost of Each Type of Ad		Total Monthly Cost of All Ads
For September			
Newspaper			
2 large ads	$100 x 2 =	$200	
6 small ads	$ 25 x 8 =	$200	
1,450 Direct Mail Fliers	$.20 x 1,450 =	$290	
Yellow Pages (name in bold print only)	=	$ 10	$700
For March			
Newspaper			
8 small ads	$ 25 x 8 =	$200	
Yellow Pages	=	$ 10	$210
For August			
Newspaper			
2 large ads	$100 x 2 =	$200	
6 small ads	$ 25 x 6 =	$150	
500 Direct Mail Fliers	$.20 x 500 =	$100	
Yellow Pages		$ 10	$460

Students' original ads should contain the five main parts and have a catchy picture or headline and a simple, neat layout. The copy should be concise, informative, and persuasive.

Unit 11 - Keeping Financial Records (Revenues) (1 class period)

I. Case Study: As Merle Hamilton opens her tire shop, she learns how to keep records of the revenues in her business. In her system, Merle uses sales slips, customer account forms, and customer billing forms.

Text: Why Keep Financial Records?
Planning Your Recordkeeping
The Sales Slip
The Customer Account Form
The Customer Billing Form

Points to Emphasize:

- Different businessses may use different financial recordkeeping forms and different systems. The examples in the module are from a retail store that offers credit.

- Only certain forms were selected to help students "get a feel" for financial recordkeeping. The forms described here are not a comprehensive set of those used in Merle's business.

II. Responses to Individual Activities

1. This activity is designed to emphasize to students that our memories are fairly poor. Students should be able to justify the need for a financial recordkeeping system based on the business owner's inability to remember everything, the volume of business information needed, and the need for other individuals to access the information.

2.

SALES SLIP

DATE May 1

CUSTOMER Morton Smith

Description of Sale	Price	
4 Goodstone steel-belted radials at $60 each	240	00
Cash ☐ Subtotal	240	00
(5%) Sales Tax	12	00
Charge ☑ TOTAL	$252	00

3.

CUSTOMER ACCOUNT FORM

Customer: Morton Smith

Date	Description of Sale	Amount Charged	Payment Received	Balance Due
May 1	4 tires	$252.00	---	$252.00
May 30	Payment	---	$150.00	102.00

III. Responses to Discussion Questions

1. Possible reasons include they are too busy, they don't need them, or they hate math. A business owner may also feel that selling products or services is the purpose of the business, not financial recordkeeping. It can't be denied--records are essential. They help ensure that the small business owner can pay his or her bills on time, fill out required financial reports, and do long-range planning. The business does not exist for recordkeeping, however. Records should be as simple as possible to meet the information needs of the business owner and to save as much time as possible.

2. Marshall can get a relative to help him with his records. He can also hire a part-time bookkeeper or use a bookkeeping/accounting service. However, Marshall should learn something about financial records since he is the one who will lose the business, be sued, etc. if things go wrong. To take precautions against costly errors and dishonest employees, Marshall should take some business classes or learn about records informally from a friend. He should at least check his records regularly and meet with an accountant periodically to analyze trends and make business decisions.

3. Merle could also find out how much cash she took in by looking at the cash register tape and by counting the cash in her cash register. Many cash registers figure out a grand total of cash and credit sales for the day. By pushing the right button, Merle could get a cash sales total. Merle could also count the cash (currency and checks) in her cash register, subtract the cash on hand at the beginning of the day, and calculate the amount of cash taken in that day. This should agree with the figure on the cash register tape and the sum of all her cash sales slips.

4. A janitorial business probably would not use sales slips. These are generally used by retail stores to itemize products purchased. Since the rate for the janitorial service is the same every month, the business may not even send out regular bills to the customer (customer billing form), except in cases of nonpayment of past bills. However, some sort of customer account form is essential to give the owner a record of what has been paid and what is still owed to the business.

IV. Group Activity

The purpose of this activity is for students to apply what they have learned in the unit. It requires them to design a financial recordkeeping form and to fill in sample information showing how to use the form.

Guide the process of dividing into small groups. Encourage each group to pick a different type of business. Tell students that this will make the activity more varied and interesting.

Circulate among the groups to provide assistance as needed. Make sure each group specifies its products or services. Answer any questions that come up as the groups design their forms. When all groups have finished, have them take turns showing their form to the other groups. Guide any discussions that arise during these group presentations.

Unit 12 - Keeping Financial Records (Expenses) (1 class period)

I. Case Study: Merle Hamilton writes checks to make payments pay expenses for her tire business. She also keeps a daily record of her receipts and payments.

Text: The Business Checkbook
Other Ways of Keeping Track of Expenses
The Daily Cash Sheet

Points to Emphasize:

- In addition to completing a check and check stub, students should learn how to reconcile a bank statement.
- Small business owners will probably use a double-entry cash journal to record daily revenues and expenses. The daily cash sheet is a simplified version of a combined cash journal.

II. Responses to Individual Activities

1. e, a, f, d, b, c

2.

Check No. 105	$ 200.00
Date 5/30	
To Ray Pierce	
For May salary	
Bal. Bro't. For'd.	$ 3,400
Amt. Deposited	—
TOTAL	3,400
Amt. this check	200
Bal. Car'd. For'd.	$ 3,200

FIRST NATIONAL BANK

Check No. 105

Date May 30

Pay to the order of Ray Pierce $ 200.00

Two hundred and 00/100 dollars.

Merle Hamilton

3.

DAILY CASH SHEET			
Revenues		Expenses	
Cash Sales	$1,000.00	Salaries	
Credit Sales	150.00	Building Expenses	
		Utilities	
		Equipment and Furniture	$181.00
		Inventory	
		Supplies	
		Advertising	50.00
		Other	49.00
TOTAL REVENUES	$1,150.00	TOTAL EXPENSES	$280.00

III. Responses to Discussion Questions

1. You can't tell how Merle's business is doing by looking at one daily cash sheet. She may have had one poor day of sales and may have made a large number of payments that day. What really matters is that Merle's revenues exceed her expenses in the long run and that she has enough money in the bank to pay her bills.

   Better ways to tell how her business is doing would be to look at the balance carried forward on her most recent check stub. A monthly cash sheet (cash flow statement) would also give helpful information (see Unit 13).

2. The bank sends a monthly statement to let the business owner know exactly what checks have "cleared" the bank and which deposits have been received. In this way the business owner can check the calculations on his or her records and pick out checks that have not yet reached the bank, forged checks, and bank errors.

3.

Kinds of Decisions Merle Might Need to Make	Information She Will Need	Possible Source of Information
• How much money can she hope to make in sales next year?	How much did she make in sales this year?	Daily cash sheet (yearly total of revenues)
• Should she try to cut down her expenses next year?	How much did she spend this year?	Daily cash sheet (yearly total of expenses); Individual expense ledgers
• Should she start a second store?	How much did she have left over from her revenues after all her expenses were paid (what were her profits) for her first store?	Daily cash sheet (yearly totals of revenues and expenses)
• Should she sell her store because it is not making money?	How much did she have left over from her revenues after all her expenses were paid (what were her profits) for her first store?	Check stub, balance carried forward
• Should she revise her credit plan?	Are her customers paying their bills?	Customer account forms
• Can she write a large check on a certain day?	How much does she have in her checking account?	Check stub
• Should she buy more equipment for her shop?	How much has she spent this year on equipment? AND Can she pay for this expense out of last year's profits?	Daily cash sheet; Individual expense ledgers; File of paid bills Daily cash sheet (yearly totals of revenues and expenses)

IV. Group Activity

This activity is designed to help students apply recordkeeping theory to a real business situation. Students should explain clearly the purpose of the forms they have selected for their business. A business checking account (for business finances only) is essential. Other forms to be used may include a sales slip (to provide customers with a receipt for cash sales and to provide the business owners with a record of cash received) and a daily cash sheet. If customers pay their bills in installments,

customer account forms and billing forms may be appropriate. Other forms may be used if their use is justified.

Unit 13 - Making Sure You Have Enough Cash (1 class period)

I. Case Study: Essie Washington, who runs a nursing service, finds that there is a delay in receiving payments from her main customer, the city hospital. She prepares a projected cash flow statement for the next three months, discovers she has a cash flow problem, and takes steps to remedy it.

Text: Why You Should Keep Track of Your Cash
The Cash Flow Statement
Ways to Improve Cash Flow

Points to Emphasize:

- A business may be fairly healthy and still have cash flow problems.
- Some businesses take out loans regularly to handle uneven cash flow (for example, businesses that get most of their revenues in certain months or seasons).
- Planning ahead regarding cash needs (via projected cash flow statements) is very important.

II. Responses to Individual Activities

1. a - T
   b - F
   c - F
   d - T
   e - F
   f - T
   g - T

2. a. $100

   b. Cash on hand at beginning of October = $100

   c. Cash on hand at end of October = ($50)

III. Responses to Discussion Questions

1. If your business relies heavily on credit sales and people don't pay their bills on time, you may have cash flow problems. Taking out a short-term loan might solve the problem.

2. Essie expects that City Hospital will owe her $6,000 for services performed in August (6 nurses x 100 hours/nurse x $10/hr. = $6,000).

The $4,100 Essie listed as "revenues from hospital" are probably payments arriving in August for services performed in May or June.

IV. Group Activity

Yolanda should not include the $3,000 in credit sales on her projected cash flow statement. This money will be charged in July, but the cash will probably not be received until August or September (in 60 days).

PROJECTED CASH FLOW STATEMENT

FOR JULY

Revenues	
Cash on hand from previous month	$ 1,000
Cash sales	5,000
Credit sales	~~3,000~~
Total Revenues	$6,000
Expenses	
Salary (for herself)	$ 900
Inventory (more children's clothes)	4,000
Other expenses	1,200
Total Expenses	$6,100
Cash on hand at end of month	($100)

Yolanda will not have enough cash at the end of the month. To improve her cash flow in July, she could:

- try to sell more clothes (by better advertising);
- try to get more of her customers to pay in cash;
- reduce the amount she spends on new clothes (inventory);
- reduce her own salary; or
- take out a short-term loan.

Unit 14 - Keeping Your Profits High (1 class period)

I. Case Study: Rachel Shapiro wants to figure out how to improve the profits of her answering service business next year. She prepares a two-year profit/loss statement, analyzes it, and takes steps to raise her revenues and

lower her expenses so her profit ratio will be higher next year.

Text: What Is Profit?
What Is a Profit/Loss Statement?
How to Figure Out Your Profit
How to Decide if Your Profit Is Good Enough
How to Increase Your Profit.

Points to Emphasize:

- The profit/loss (P/L) statement is a key financial statement used in assessing the health of a business. Not all small business owners prepare them, but their future business planning is hindered if they don't.

- The projected profit/loss statement (prepared ahead of time for the next few months or the next year) is similar in format to the P/L statement. It is often required by banks before loans are approved and is helpful to the small business owner in planning sales goals, advertising campaigns, and other expenditures for a business.

II. Responses to Individual Activities

1. d, a, e, b

2. b
a
a

3.

Profit/Loss Statement
1982

	$	%
Revenues	$60,000	100%
Expenses	36,000	60%
Net Profit	$24,000	40%

Rachel had the highest net profit ratio in 1982. She had the highest profit ratio--40%--in 1980 and 1982. Based on these two measures, Rachel's business was healthiest in 1982.

III. Responses to Discussion Questions

1. If John does not study his revenues, expenses, and profit, he may not make any profit next year, or at least may make less than he did this year. Analysis of past business performance and planning for improved performance next year are essential in keeping a business successful.

2. It is hard to compare profits for two years if the revenues for the two years are different. You will know if you made

more or less profit (in dollars), but you won't know if this is good or bad compared to your total revenues. By using ratios, you can compare figures across years of your business and also can compare your business (profits and expenses) with other businesses. To assess the health of your business, you should look at profit dollars and profit ratios.

3. To improve profit, a small business owner can:

   - increase revenues by increasing the number of customers or number of purchases by each customer;
   - increase revenues by raising prices (same number of customers buying same number of products or services at higher prices = increased revenues); or
   - decrease expenses.

   It is also possible to raise profits by:

   - raising expenses (for example, if you hire more or better people and do more advertising, your expenses may increase a little and your sales increase a lot.
   - lowering prices (if you can lower prices a little and get enough new customers, you may actually bring in more revenues than before).

IV. Group Activity

Other benefits are the freedom and creativity small business owners have. They can make their own business decisions, offer new products or services fairly easily, and change their business without getting permission from others. They also can take time off without asking their boss (if they can get someone else to "mind the shop"). Small business owners can also experiment with new business ideas and hire whom they want. But they will work very hard and may never get rich!

Unit 15 - Keeping Your Business Successful (1 class period)

I. Case Study: Louise Kelly experiences a drastic decrease in sales from her plant parties. She reassesses the market and converts her business from a retail sales business to a service business (plant rental and care). By changing the customers she served and her products and services, she kept her business from failing and made it more successful than ever.

Text: Ways of Increasing Sales
How to Get Information to Use in Updating Your Business

Points to Emphasize:

- Time does not stand still. A product or service that was a "fast mover" five years ago may be out of date today. The lifetime of products is shorter than it used to be because of new technology and increased selectivity of customers.

- A business does not have to get bigger to succeed, but it does have to get better.

- Small businesses can be changed easily. They are often run by creative people who see new trends and act to benefit from them. They often set trends as well. Students should aim at being this type of small business owner--future-looking, innovative, and bold.

II. Responses to Individual Activities

1. Students should recognize new business ideas and trends and should be able to present practical applications of these ideas to a business.

2. You could examine your treatment of the children. Are you kind, understanding, and firm? Do you provide creative play activities to keep the children happy? Ask the parents what you could do to improve your service and get more business. Ask the kids too. Study your neighborhood. Find out if there are as many families with children living near you as there used to be. Find out if the income level has changed. (If it is lower, parents may be using cheaper day care centers. If it is higher, parents may be sending their kids to more exclusive schools or--if mothers are not working--keeping them home.)

   Find out about trends in day care. Possibly one of the large companies nearby has started its own day care center. Other summer day care centers may also have increased since last year.

III. Responses to Discussion Questions

1. These are possible answers.

   - Louise could have sold other products instead of plants at her parties (wall hangings, pots and planters, craft supplies, etc.).

   - She could have built a large greenhouse, raised plants, and sold them to variety stores and grocery stores.

   - She could have written more books about plant care and tried to sell them in book stores, florists, etc.

2. Regarding trends, possible answers include:

   - high interest rates;
   - gasoline shortages;
   - trend toward computerization;
   - demand for quick services and instant/disposable products;
   - use of services instead of doing certain things for oneself; and
   - increase in number of elderly people and ethnic minorities in the population.

   Students should think of ways these trends would affect specific businesses.

3. Small businesses can be changed more easily than large ones because there are fewer workers to retrain and smaller amounts of products to get rid of before you can buy new ones. You have no bosses, so you can decide quickly. There may also be fewer government regulations affecting your business. Three factors that may hinder you from changing your business, however, are lack of funds, lack of manpower, and lack of time.

4. Large businesses are often more profitable and have more visibility in the community. There are also more personnel problems, more financial decisions, more things to manage. Small business owners may be too independent or lack other skills needed for large business ownership. It all depends on the interests, abilities, and opportunities of the individual.

IV. Group Activity

Students should list activities described in all 15 units and evaluate their own interest in carrying out these entrepreneurial tasks. Discuss how students' views of small business ownership have changed as a result of studying this module. Emphasize that small business ownership isn't for everyone, but for those who are suited to it, it is very rewarding.

Summary (15-30 minutes)

If desired, the Quiz may be given prior to summarizing the module and doing wrap-up activities.

Emphasize these points to students.

- Small business ownership is an exciting opportunity for the right people. It provides an outlet for creativity to "entrepreneurial

types" and, in a successful business, provides the owner with an adequate income.

- Failure rates of small businesses are high, due primarily to poor management. Continued development of the skills presented in this module will help students make their businesses successful.

Remind students that their participation in this module was intended as an awareness activity so they could consider entrepreneurship as a career option. Their introduction to the skills required for successful small business management has been brief. They should not feel that they are now prepared to go out, obtain a loan, and begin their own business. More training and experience are necessary. You can suggest at least these ways of obtaining that experience: one way is to work in the business area in which they would eventually want to have their own venture; another is to go to school (community colleges are starting to offer AA degrees in entrepreneurship).

This is a good time to get feedback from the students as to how they would rate their experience with the module. Could they identify with the characters portrayed in the case studies? How do they feel about the learning activities?

You may want to use the following wrap-up activities.

- Have students do a self-evaluation of their personal qualities based on the description of What Makes a Good Small Business Owner in Unit 1.

- Have students select small businesses that they might be interested in starting. They should describe briefly the products or services they would offer and why they are interested in this type of business.

- Have students discuss the areas of small business ownership that interest them most and the ones in which they are most qualified. Discuss how they could strengthen weak areas.

Quiz (30 minutes)

The quiz may be used as an assessment instrument or an optional study tool for students. If you wish to use the quiz for study purposes, duplicate and distribute the answer key to students. In this case, student achievement may be assessed by evaluating the quality of students' participation in module activities.

Quiz Answer Key

1. Possible responses include:

   - have drive
   - think clearly and imaginatively
   - be a leader and work well with people
   - can perform many different tasks at the same time

   (Subqualities may also be listed.)

2. Possible responses include:

   - plan the business
   - be in charge of people
   - organize the work
   - buy and keep track of supplies
   - set prices
   - advertise and sell
   - keep financial records
   - keep the business successful

3. Possible responses include:

   - number of people living in the area
   - kind of people living in the area
   - kind of business area
   - the business history of the area
   - the condition and cost of the building

4. Possible responses include:

   - your own money
   - gifts, loans, or investments from family and friends
   - loan from bank or credit union
   - loan from Small Business Administration

5. d

6. b

7. d

8. Possible responses include:

   - possible products and services that could be offered
   - business and social trends
   - possible customer groups and their characteristics
   - amount and nature of competition

9. Possible responses include:

- decide what the worker should be like (write a job description)
- look for workers
- review job applications and interview applicants
- check references (talk to past employers)
- make a final decision
- make a job offer

10. Possible answers include:

- what to buy (type and price of goods)
- where to buy (suppliers)
- how much to buy
- when to buy

11. c

12. b

13. a

14. Possible responses include:

- lawyer
- accountant
- banker
- realtor
- insurance agent
- other business advisors as described in the text (be specific)

15. Possible responses include:

- to keep track of revenues (and money owed to the business)
- to keep track of expenses (and money owed by the business)
- to prepare required reports
- to make important business decisions

16. Possible responses include:

- salaries of employees
- rent
- utilities
- repair and depreciation of equipment
- supplies
- advertising
- insurance
- licenses
- fees for accountants, etc.
- interest on loans

17. Possible responses include:

- lower prices (or raise them)
- increase and improve advertising
- buy similar clothes from another supplier (better quality or cheaper)
- buy a whole new line of clothes
- improve selling techniques
- improve services to customers
- add new services (e.g., free alterations)

18. 3
    2
    4
    1

19. f
    b
    g
    d
    a

20. b
    d
    a

SUGGESTED READINGS

You may wish to refer to the following resources to obtain more information on small business ownership. These references are written at the secondary and postsecondary levels. Case studies appearing in this module have been adapted from some of these sources.

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Persons, E., Swanson, G., Rice, F., et al. Small business management: Going into business modules (for adult and/or postsecondary instruction). St. Paul, MN: Division of Agricultural Education, University of Minnesota, 1978.

Reece, B. L., Lynch, R. L., et al. Achieving success in small business: An educational program for new small business owner-managers. Blacksburg, VA: Virginia Polytechnic Institute and State University, Distributive Education Program Area, Division of Vocational and Technical Education, 1977.

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Winston, S. The entrepreneurial woman. New York: Newsweek Books, 1979.

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GOALS AND OBJECTIVES

Goal 1: To help you see what small business ownership is all about.

Objective 1: Define small business and small business owner.

Objective 2: Name at least three personal qualities you should have as a small business owner.

Objective 3: List at least five things you will have to do in running a small business.

Goal 2: To help you plan what your small business will be like.

Objective 1: List five steps to take in deciding whether to start a small business.

Objective 2: List four things to think about in choosing the products or services of your business.

Objective 3: List three advisors used by small business owners and one other source of business information.

Goal 3: To help you make decisions about buying, organizing, and licensing your small business.

Objective 1: Describe the three forms of business ownership.

Objective 2: Describe three types of business opportunities (ways of getting into business).

Objective 3: List two business permits that may be needed to start a small business.

Goal 4: To help you choose a business location.

Objective 1: List five things to think about in choosing a business location.

Objective 2: List four ways you can get information to help you choose a business location.

Goal 5: To help you plan how to get money to start your business.

Objective 1: List four sources of money to start your small business.

Objective 2: List three kinds of information you must give your banker to get a business loan.

Objective 3: Describe the five sections of a business description.

Objective 4: State the purpose of a statement of financial need and list its three parts.

Goal 6: To help you be a good "boss" in your small business.

Objective 1: List three steps you should take in organizing new workers.

Objective 2: List five steps you should take in hiring a new worker.

Objective 3: Describe several ways of keeping your workers happy.

Goal 7: To help you organize the daily work of your business.

Objective 1: List three main steps in doing the work of a small business.

Objective 2: Describe the purpose of the work order and the work schedule.

Goal 8: To help you buy and keep track of goods in your business.

Objective 1: List four decisions you must make when buying goods for your business.

Objective 2: List several things you should think about when choosing suppliers.

Objective 3: State the purpose of the purchase order and the inventory card.

Goal 9: To help you decide how to set prices for your products or services.

Objective 1: List five things to think about in setting prices.

Objective 2: In one sentence, state a basic guideline for setting prices.

Goal 10: To help you advertise and sell your products or services.

Objective 1: List six things to think about when planning your advertising.

Objective 2: Give several reasons why people buy.

Objective 3: List the five steps of good selling.

Goal 11: To help you keep track of money coming into your business.

Objective 1: List four reasons a small business owner should keep financial records.

Objective 2: State the purpose of the sales slip.

Objective 3: State the purpose of the customer account form and the customer billing form.

Goal 12: To help you keep track of money going out of your business.

Objective 1: List the two parts of a checkbook and the purpose of each.

Objective 2: List two types of business revenues and three common business expenses.

Objective 3: State the purpose of a daily cash sheet.

Goal 13: To help you keep track of the cash in your business.

Objective 1: List three ways of keeping your business successful.

Objective 2: State the purpose of a cash flow statement.

Goal 14: To help you study your business' finances and keep your profits high.

Objective 1: State the most important financial goal of any business.

Objective 2: Explain the purpose of the profit/loss statement, and list three of the main parts.

Objective 3: Explain the value of the profit ratio and expense ratio.

Objective 4: State two ways to increase your profit.

Goal 15: To help you decide how to change your products or services to keep your business up to date.

Objective 1: State two ways of increasing sales in your business.

Objective 2: List several ways of getting information to use in changing your business.

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School: _____ Teacher: _____ Class: _____ Date: _____

MODULE COMPLETION RECORD SHEET

Directions to teachers: In column 1, list every student in the class, regardless of whether the student completed any modules. In column 2, put a check by the name of each student who completed Module 1, Getting Down to Business: What's It All About? In column 3, list the ID numbers of the business-specific modules (2-36) the student completed. In column 4, list the ID numbers of any modules the student started but did not complete and give the reason for each incompletion.

(1) Student Name	(2) Module 1 Completed	(3) Modules 2-36: ID #s of Completed Modules	(4) Modules 1-36: ID #s of Partially Completed Modules and Reasons for Incompletion

(over)

(1)	(2)	(3)	(4)
Student Name	Module 1 Completed	Modules 2-36: ID #s of Completed Modules	Modules 1-36: ID #s of Partially Completed Modules and Reasons for Incompletion